

CITY OF WINFIELD

**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

**FOR THE PERIOD
JULY 1, 2014 THROUGH JUNE 30, 2015**

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City of Winfield

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Chris Finnell	Mayor	Dec 2015
Jan Walter	Council Member	Dec 2017
Ryan Rees	Council Member	Dec 2017
Roger Sharp	Council Member	Dec 2015
Ryan Kinneberg	Council Member	Dec 2017
Kathy Nelson	Council Member	Dec 2015
Angie Oepping	City Clerk	Indefinite
Leonard Hesseltine	Treasurer	Indefinite
Wyatt Peterson	City Attorney	Indefinite

TED M. WIEGAND, CPA

606 East Madison Street
Mount Pleasant, Iowa 52641

Independent Accountant's Report on Applying Agreed-Upon Procedures

To the Honorable Mayor
and Members of the City Council:

I have performed the procedures enumerated below which were established pursuant to Chapter 11.6 of the Code of Iowa enacted by the Iowa Legislature to provide oversight of certain Iowa cities. Accordingly, I have applied certain tests and procedures to selected accounting records and related information of the City of Winfield for the period July 1, 2014 through June 30, 2015. The City of Winfield's management, which agreed to the performance of the procedures performed, is responsible for the City's records.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards for attestation engagements contained in Government Auditing Standards, issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, I make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures I performed are summarized as follows:

1. I reviewed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. I reviewed the City's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. I reviewed surety bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. I obtained and reviewed the City Clerk's financial reports and selected two bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the City Council.
5. I reviewed City funds for consistency with the City Finance Committee's recommended Uniform Chart of Accounts (COA) and to determine required funds and fund balances are properly maintained and accurately accounted for.
6. I reviewed the City's fiscal year 2014 Annual Financial Report to determine whether it was completed and accurately reflects the City's financial information.
7. I reviewed investments to determine compliance with Chapter 12B of the Code of Iowa.
8. I reviewed compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa pertaining to required depository resolutions, investment policy and reporting of unclaimed property to the State of Iowa.

9. I reviewed debt, including general obligation and revenue bonds/notes, and related transactions for proper authorization and compliance with Chapters 75, 384 and 403.9 of the Code of Iowa and to determine whether the debt and related proceeds and repayments were properly accounted for.
10. I reviewed and tested selected tax increment financing (TIF) transactions, including receipts, disbursements and transfers, for compliance and accurate accounting, including compliance with the TIF reporting requirements of Chapter 384.22 of the Code of Iowa.
11. I reviewed the City's TIF debt certification forms filed with the County Auditor, including requests for collection of reduced TIF amounts and to decertify certain TIF obligations, as applicable, for proper support and compliance with Chapter 403.19(6) of the Code of Iowa.
12. I reviewed and tested selected receipts for accurate accounting and consistency with the recommended COA.
13. I reviewed and tested selected disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the recommended COA and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
14. I reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
15. I reviewed the annual certified budget for proper authorization, certification and timely amendment.

Based on the performance of the procedures described above, I identified various recommendations for the City. My recommendations are described in the Detailed Recommendations section of this report. Unless reported in the Detailed Recommendations, items of non-compliance were not noted during the performance of the specific procedures listed above.

These agreed upon procedures do not constitute an audit of financial statements or any part thereof, the objective of which is the expression of an opinion on the financial statements or a part thereof. Had I performed additional procedures, or had I performed an audit of the City of Winfield, additional matters might have come to my attention that would have been reported to you.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Winfield and other parties to whom the City of Winfield may report. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of the City of Winfield during the course of my agreed-upon procedures. Should you have any questions concerning any of the above matters, I would be pleased to discuss them with you at your convenience.

TED M. WIEGAND, CPA

February 29, 2016

City of Winfield

Detailed Recommendations

For the Period July 1, 2014 through June 30, 2015

- (A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. I noted that segregation of duties was inadequate for the cash, investments, long term debt, receipts, disbursements, payroll, and reporting cycles.

Recommendation – I realize segregation of duties is difficult with a limited number of employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. I recommend the City Treasurer review monthly bank reconciliations, and this review of reconciliations should be documented by the signature or initials of the reviewer and the date of the review.

- (B) Reconciliation of Utility Billings, Collections and Delinquent Accounts - Utility billings, collections and delinquent accounts were not reconciled throughout the year and a delinquent account listing was not prepared or reviewed on a monthly basis.

Recommendation – A listing of delinquent accounts should be prepared and reviewed monthly. Procedures should be established to reconcile utility billings, collections and delinquent accounts for each billing period. The City Council or other independent person designated by the City Council should review the reconciliations and monitor delinquent accounts. The review should be documented by the signature or initials of the reviewer and the date of the review.

- (C) Certified Budget – Disbursements during the year ended June 30, 2015 exceeded the amount budgeted in the debt service function. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Recommendation – The amount budgeted for debt service should include the annual fees that are assessed.

- (D) Payment of General Obligation Bonds – Principal and interest on the City’s general obligation water improvement and refunding bonds were paid from the Special Revenue, TIF fund. Chapter 384.4 of the Code of Iowa states, in part, “Moneys pledged or available to service general obligation bonds, and received from sources other than property tax, must be deposited in the debt service fund.”

Recommendation – The City should transfer from the Special Revenue, TIF Fund to the Debt Service Fund for future funding contributions. Payments on the bonds should be made from the Debt Service Fund as required.

- (E) Clerk’s Monthly Report to Council – The Clerk’s monthly reports to the council did not include budget versus actual expenditures comparison by function and by fund or accrued interest on the library CD, which was \$84.44 as of June 30, 2015. The monthly report includes an outstanding deposit for an NSF check in the amount of \$195.02 from August 2013.

City of Winfield

Detailed Recommendations

For the Period July 1, 2014 through June 30, 2015

Recommendation – The Clerk should report a budget versus actual expenditure comparison by function and by fund on a monthly basis, and include interest on the library CD on the monthly financial reports to the Council. The outstanding deposit of \$195.02 from August 2013 should be removed from the bank reconciliation and reports to the Council.

- (F) Annual Financial Report – I noted certain misstatements reported on the June 30, 2015 Annual Financial Report:

- (1) Tax revenue of \$49,262 was reported under the Special Revenue Fund and transferred to the General Fund instead of reported as received into the General Fund
- (2) Debt of \$645,000 was reported as TIF revenue debt instead of General Obligation Debt in part V of the Report

Recommendation – The City should record tax revenue in the correct fund. General Obligation Debt should be reported as General Obligation Debt and not TIF revenue debt.

- (G) Change fund – I have the following findings as a result of my review of the City's change fund:

- (1) Miscellaneous, non-utility receipts are only deposited to the bank once a month
- (2) Utility receipts are deposited daily, but are commingled with miscellaneous receipt monies
- (3) Not all receipts were recorded in a receipt book

Recommendation – Miscellaneous receipts should be reconciled and deposited to the bank on a timely basis. Monthly deposits may be appropriate when there are only a few receipts during the month, but sometimes there is significantly more volume.

The City should establish a second change fund for miscellaneous receipts and segregate utility receipts from miscellaneous receipts for improved control.

The City should obtain a separate receipt book for miscellaneous receipts. All cash and checks received should be recorded in a uniform manner on a timely basis for optimal control.